

NORTH SHORE **view**

ACTIVITY SET TO LIFT AS CONFIDENCE RETURNS

Having been in a period of consolidation since mid 2016 prospects for increases in levels of sales activity and pricing are improving as confidence amongst buyers lifts. Record low interest rates, the removal of the threat of a Capital Gains Tax, strong employment figures and ongoing elevated net migration have combined to provide the market with strong support.

Reports from agency teams advise of a lift in the numbers of groups attending open homes, a lead indicator of activity while auction clearance rates are also climbing

Headwinds remain in play, with affordability constraints, a slowing economy and stubbornly low levels of business confidence the major concerns.

On balance however, the outlook is weighted towards the upside with mild upward pressure on pricing anticipated over the course of the next year.

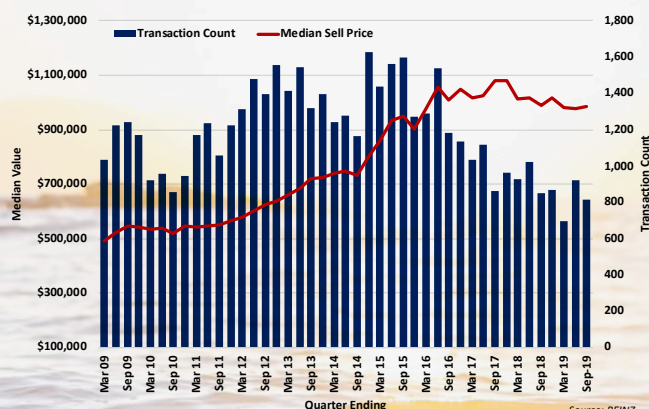
Positive outlook for North Shore market

Sales activity within the North Shore market has been stable over the last two years following a sharp fall from the peak levels experienced between late 2014 and mid 2016. Over that period average quarterly sales sat at 1,280. Over the last two years the average has been 888. The June quarter though saw nearly 925 sales and provisional figures for the September quarter have seen the momentum maintained.

Spring and summer traditionally see an uplift in both listings and sales. Agency reports suggest that this trend is apparent again this year, with the increase in listings apparently starting earlier than has been the case over the last two years.

As with sales volumes it appears that values too have established a base. In the final quarter of 2017 the area's median value peaked at \$1,080,000. Values declined over subsequent quarters, falling by approximately 11% to \$963,000 as at the end of the September quarter in 2018. Over the last year, whilst there has been some volatility on a quarterly basis values have recovered to sit at \$990,000 approximately 8% off the peak.

North Shore Residential Median v Transaction Count



Source: REINZ

Upper end feeling the squeeze

While, sales volumes, within the North Shore residential market have, in line with the wider region, slowed over the last two years it is at the upper end of the value range where the impact has been the greatest.

Overall sales activity has fallen by approximately 20% when comparing numbers over the 12 months to September 2017 with the 12 months to September 2019. When the market is broken into price bands sales trends impacting the upper value part of the range becomes apparent.

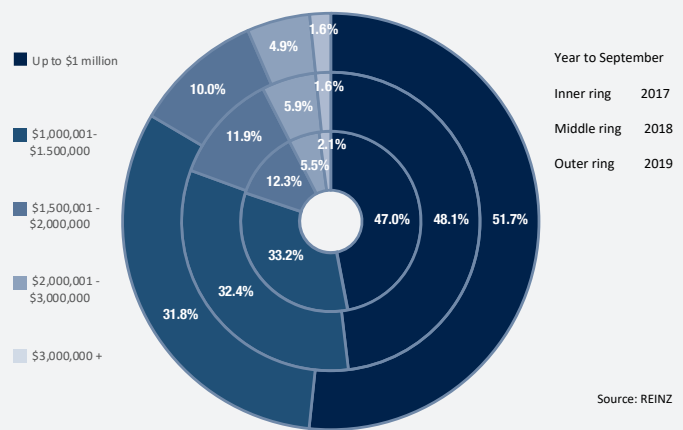
Sales of properties with a value of between \$1 million and \$2 million has declined by approximately 29% while the number of properties transacting at over \$3 million has seen activity falling by just over 37%.

The upper end of the market has been impacted by issues such as the foreign buyer ban, concerns about the economy, the tightening of credit conditions by the banks and a difference in the value expectations of vendors and purchasers.

Agency reports, however, suggest that sentiment is changing within this sector of the market. Potential

purchasers, having adopted a wait and see approach over the last couple of years, are more active as the economy has held up, interest rates have fallen and realistic valuations have become clearer. Vendors have also become more amenable to accepting offers conditional on issues such as the purchaser having to sell their own property.

North Shore Property Sales by Price Bracket



SUBURB TO WATCH

Browns Bay

Browns Bay's residential property market seeing increasing support from a number of positive influences which are likely to see it perform strongly over the next few years.

Benefitting from a coastal location with a safe and attractive swim beach and ease of access to many of the North Shore's major employment hubs Brown's Bay is already one of the areas favoured residential suburbs.

The local population is set to swell over the next few years. The area is marked for intensification which will see the development of new housing stock, providing a wider choice of housing options. The transition is already underway with new apartments having been brought to market and more, such as The Victor apartment complex currently under construction. Retirement village operators have also been active with the latest addition to the options being The Sands retirement village which has recently been completed by Oceania Group.

Upgrades to the town and waterfront reserve have improved connections between the seafront and town centre have made the area more attractive. The council is keen to see further enhancements through its Hibiscus and Bays Open Space Network Plan.

	Median Sell Price	Transaction Count	Average Days On Market
2015	\$855,500	348	35
2016	\$1,005,000	359	37
2017	\$977,000	267	47
2018	\$1,003,000	211	55
2019	\$950,000	155	59
QTR 1	\$990,000	49	63
QTR 2	\$900,000	47	67
QTR 3	\$975,000	50	54
QTR 4	\$925,000	9	27
Grand Total	\$950,000	1,340	44

Browns Bay Residential Statistics		
Median Value	Sales Volume	Average Days on Market
\$975,000	50	54

All figures for September quarter 2019 | Source: REINZ

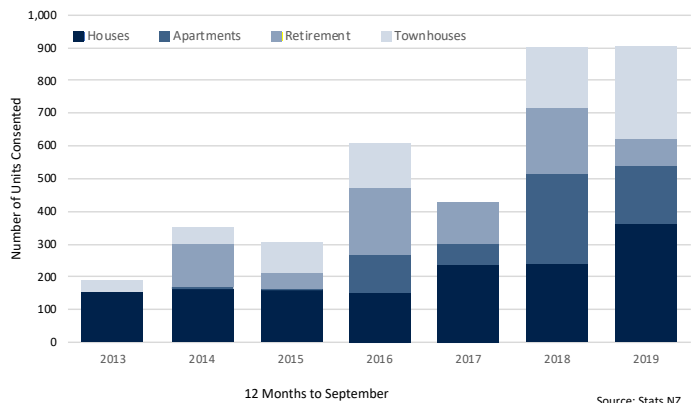
Development sector remains active

Building activity within the North Shore Ward area has remained at elevated levels over the last year with 904 new residential dwellings consented in the 12 months to September, unchanged from last year but nearly five times greater than 2013's total of 188.

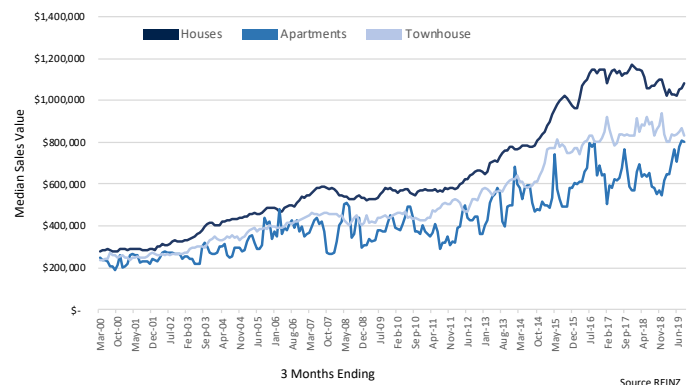
The impact of Auckland's unitary plan is clearly evident within the consent numbers. In 2013, multi-unit development accounted for just 19% of consents. Over the last two years the combination of apartment, townhouse and retirement village consents have accounted for an average of 67% of all residential consents with stand alone houses accounting for just 33%.

The increase in multi unit developments clearly offer purchasers a greater variety of housing typologies from which to choose. More significantly however they have also broadened the value range at which it is possible to access the North Shore market. As the adjacent graph shows, the median values within both the apartment and townhouse sectors, as would be expected, provide a more affordable option than stand alone housing.

North Shore Ward Residential Building Consents



Median Sales Value North Shore Residential Property By Type

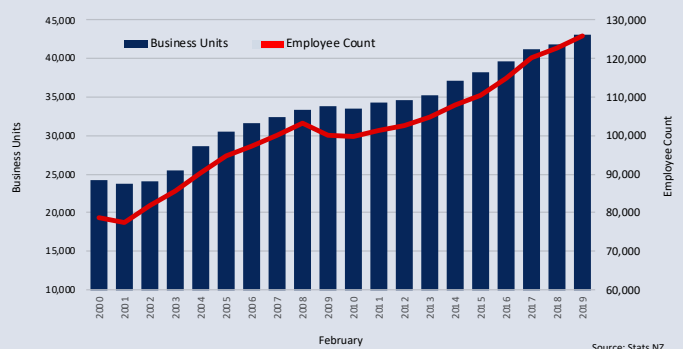


Local jobs growth supporting demand

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North Shore Employee Count v Business Units





‘The June quarter saw nearly 925 sales and provisional figures for the September quarter show the momentum has been maintained.’

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